EigenCluster:
Sales and Marketing section

Overall Marketing Strategy

Eigencluster's strategy relies on the uniqueness of its clustering algorithm and expertise of its team. Therefore we will offer a combination of software and service according to each client's need. Since the company has a clear focus on SNP market it can be flexible in terms of the solution offered to each customer.

Marketing message

The best solution in terms of combination of software and service will be discussed with each client by our sales representatives. The sales, therefore, will be highly targeted and require high consulting skills of the salesperson.

The sale must rely on the potential savings our software/solution will deliver for researchers (see ROI analysis). These savings include:

- Increased success in clinical trials by isolating and removing patients who have genotypes that are not compatible with the treatment regiment.
- Early detection of failed drugs, thus saving the cost of further trials.
- Recovery of "failed" drugs by narrowing patient scope based on genotype.
- Fewer false negatives in animal trials, and thus a greater number of drugs entering clinical trials.
- Improved understanding of the mechanisms of drug activity, which will further speed drug design and development.
- The ability to more clearly specify target customer base.
- Effective response to public scares caused by "toxic" drugs.

Clients who want to do one time analysis can also be highly benefited from EigenCluster's service offering.

Software product

The software package will consist out of a user interface written in Java and a mathematical kernel written in C++. This choice will enable us to port the package to a variety of popular operating systems such as Linux, MacOS or Windows. It will comprise the following functionality:

- **ETL (Extract, Transform, Load):** This tool will provide a powerful engine with a simple interface to extract and combine data from different sources, cleanse and prepare the data for analysis, and load it in multiple database management system. Systems with which the tool can interact directly include Affymetrix' GeneChip, common DBMSs like Oracle, DB2, SQL Server, ODBC sources and other tools such as SPSS, SAS, Excel etc. Data can also be loaded into those systems.
- **Data Analysis:** This is the core tool and allows for data to be clustered using EigenCluster algorithm and/or analyzed using other common data mining techniques such as data partitioning, regression, association etc.
- **Presentation:** This module provides predefined and customizable reports, graphs and maps for visualization of results. Connectors to other visualization tools are also available and will be enhanced in an ongoing basis so the results derived from the data analysis can be visualized in other popular presentation tools such as Spotfire's DecisionSite® and Microsoft Excel.

Consulting Service

The consulting service is based on the unique mix of experiences in our group. It comprises

- maintenance and help desk.
- adapting the software to specific needs such as interfacing to other products used in-house, optimization of the mathematical kernel to a specific class of problems.
- data-clustering for clients: according to our research there is an interest from the client side in outsourcing specific clustering tasks.
- training of clients' scientific staff to optimally use our software products.

Clients can acquire only the software (which comes with a regular maintenance and upgrading contract), a combination of software and consulting service or just the service.

Segmentation

EigenCluster is already targeting a very specific market, so we believe that from this point on, our segmentation should be **one-to-one**, that is: each client is its own segment and must be treated individually by our sales team. Each client should have a specific offering according to its unique needs. The service should always be offered to each client so the most value can be created (for the client and for Eigencluster).

Potential Obstacles to sell

Some obstacle are bound to occur which might difficult sales. We intend to address them as follows:

Prospects not convinced of the product's advantages	EigenCluster will use a direct specialized sales force to convince each prospect of the advantages of using the tool. Marketing budget will be directed to a great extent to develop proof of concepts in highly visible researches.
	The sales team may develop a small proof of concept with a sample of the prospect's own data
	The sales team will also cite scientific papers in which academics used EigenCluster.
Prospect already using other tool	Sales force will build on business cases to show EigenCluster's advantages.
	The offering will be flexible enough so the prospect can try the product first as a service or can have a small proof of concept developed with a sample of its own data.
	Eigencluster will be provided with connectors to multiple systems, which makes it highly feasible to be integrated into existing technology environments.

Pricing

Eigencluster's products and services will be priced competitively with the market. Since software is an upfront, fixed cost investment and not a variable cost business, the software product will be priced on a value-based model instead of a cost-based model. Eigencluster will not be a discount relative to competitors, but will not be overpriced in a way that turns away potential customers. As a new product, EigenCluster will need to sell itself based on value to the researcher, convince adoption based on fair pricing which will help spread the product and maximize the number of users. This will improve brand traction and help tip the market in our favor.

Bottom-Up Approach

An Eigencluster software license will be specifically priced to be under the budget approval required by a senior manager. This will allow the product to get in the door. The value of our product will be realized when researchers begin to use the tool. Therefore, our first customers will be individual researchers, not entire IT departments, and our pricing will reflect the price point of this audience. For example, Pfizer does not require management approval for software purchases below $12,000. Eigencluster will be priced to be just under the average per user price a research group can spend without seeking outside approval.

Selling at a Price That Will Not Require Management Purchase Approval

Customer	Average Purchase Decision Without Budget Approval (per user)
Large Pharmaceuticals	$10,000-20,000
Pfizer	$12,000
Mid to Smaller Pharmaceuticals *(and less funded departments in large pharmaceuticals)*	$5,000-10,000
Government	$2,500
Academic Institutions	$2,000-2,500

Sources: Ian Williams (former global strategic planner at Pfizer) and Golden Helix sales staff

List Prices

- **Software Products:** The base price will be $40,000 for 5 user licenses. This is the basic model of software, which will be the only version available for the first two years in Eigencluster's development. This is to remain focused as a company. In the coming years, Eigencluster can add versions with more premium features and those for different industry verticals, including an academic and government version.

  Gross Margin per Product Sale

  The cost of software is mostly fixed and up-front. The cost of each additional sale is just the cost of installation, maintenance and service. This cost is expected to be about 10% of the cost of the sale, leaving 90% profit per product sale. This does not include the original fixed costs and therefore profit for the company is only after recovering development, marketing, sales and administrative costs of the software product as a whole.

- **Service:** Services will be billed out at a competitive rate of $200/hr. Certain technical support will be included with the price of the product and as a warranty and service guarantee. Other service contracts will be billed out at the list price.

  Gross Margin Per Service Hour

  Cost of a contractor or full-time employee is expected to be approximately $80/hr. Gross margin for each paid service hour is expected to be $120/hr.

Volume Discounts

Discounts will be negotiated on large orders. This will be especially applicable to IT departments when an EigenCluster product is under consideration as a standard product for a larger firm. The price will be discounted from list depending on the number of licenses and the value of the contract in solidifying brand and strengthening the product's reputation.

Advertising and Promotion

We will target both, industry leaders and key academics institutions with our sales approach. Industry contacts are important because they hold the potential for the most revenues and large-scale use of EigenCluster. We plan to build up strong ties with high-profile scientific groups. In these partnerships we will provide our software product and services for free and will convince the academic groups of the advantages. This collaboration will result in references to our software in the publications of these groups which will help to underline the arguments of our salesforce. This will be of key importance in the initial stages where we will have to strive to convince our customers of the superiority of our algorithm.

We have identified a list of academic institutions and industrie that we will approach as our initial customers (we will initially focus on North America and Europe to minimize travelling and language barriers).

Academic institutions	***Industry***
Bristol Myers Squibb Co.	David Housman, MIT
Novartis	Eric Lander, MIT
Amersham Biosciences	Mark Leppert, University of Utah
Aventis	Richard Gibbs, Baylor College of Medicine
Bayer	Thomas Hudson, McGill University
La Roche	David Bentley, Wellcome Trust Sanger Institute
Searle	Peter Donnelley, Oxford University
Pfizer (Golden Helix Customer)	Stacey Gabriel, National Genotyping Center
Astra Zenica (Golden Helix Customer)	

In parallel we will advertise our product at big conferences related to the field of bioinformatics and SNPs. We plan to attend one conference per month on average.

Sales Strategy

All beta-versions of the software will be free of charge. Starting with version 1.0 we will charge the full license fee. Academic institutions will always be exempted from paying the license fee. In return we expect a growing number of publications referencing our software product.

EigenCluster will have a direct salesforce. In the initial stages of the project the sales team will be recruited from within the EigenCluster team. The prospective customers will therefore interact directly with our highly specialized team members which will help us to convince them of the superior quality of our products and services. By the end of year two we expect to have 10 customers with one license each, a quantity that can be handeled within the EigenCluster team. However, we will use the second half of year 2, that is after version 1.0 is released, to hire and most importantly train two salespeople which will partly take over customers from team members as well as start building their own customer base by the begin or year three. We anticipate that each of these salespersons will be able to recruit 10 customers in year 3, where we expect 20 customers with 2 licenses each on average.

Presentation of the sales force approach

The Eigencluster sales force:

Knows its target market well through careful research and strategic relationships with industry contacts. By developing meaningful relationships with the Board members, the sales person connects with top decision-makers in the targeted market, and research intensively the targeted companies prior to the first sales meeting.The purpose of the research is to help the one-to one approach to the sales market and to provide seful information necessary for the customization of the sales presentation for the targeted company.

Starts by presenting a well-defined problem his/her customer has and how Eigencluster help solve it. One example of a problem facing the pharmaceutical industry today is that it takes too long and costs too much money to bring a drug to market. The sales person presents how Eigencluster helps the pharmaceutical company solve this problem.

Keeps the lines of communication open. This principle means that besides the special link opened with few key pharmaceutical companies targeted in the first phase, the sales force looks into developing communication channels with the other relevant pharceutical players, other potential clients of EigenCluster. Eigen cluster sales force builds effective relationships with the representatives from all levels of the customer organizations by working closely with them throughout the sales process. Along the way, the sales person looks into finding ways of capitalizing the feedback of the customers in software upgrades that will benefit all customers.

Handles customer service as well and schedules regular follow-up visits with customers. By handling the activities of customer service, Eigencluster sales force will have increased responsibility in the outcome of the relationship and will not be inclined to have a hit and run(transfer) attitude, specific to software companies where the sales and the implementation teams are disconnected. At the same time, the interaction could reveal hidden needs of the client-organization that can be addresses in a timely manner. (for example additional training needed in the client organization.)

Flexible to other needs. In addition to the developed software, Eigencluster team will keep an eye on the potential new applications that can be developed using the algorithm that could be of high interest to the current and targeted market. In this way the relevance and the utility of the Eigencluster will increase and could lead to additional streams of revenue and development.

Always attentive. Eigencluster team of sales representative and specialists constantly scan the literature, attend conferences and do whatever is needed to learn what potential customers want and what they are doing. Any new application has to solve a problem, and the best way to know what those problems are is by interacting closely with the

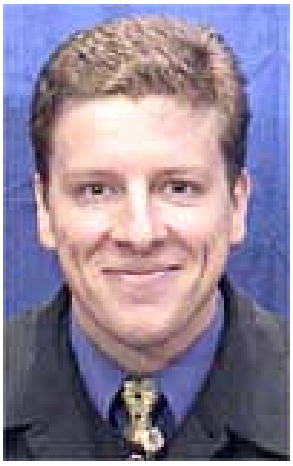
industry.

Distribution

Customers will be able to download the software from our web-page after receiving login information.

EigenCluster Team

Ovidiu Bujorean



Currently enrolled in the second year of the Master in Public Administration program with the Kennedy School of Government at Harvard, Ovidiu has an educational background in trade, organizational psychology, governance and institutional development. Ovidiu previously worked in management consulting with companies such as Gemini Consulting, Deutsche Post Consulting and BCG. He also worked as National Project Manager with UNDP Romania in a two year mission for the Presidential Administration of Romania.

He is the founder and CEO of the company HPDI in Romania. HPDI is assisting foreign businesses from EU and USA in building or relocating their businesses operations in Romania by providing a complete set of business services ranging from market entry studies, arranging programs of meetings with potential business and government partners and securing the best resources for the business growth: partners, human resources and training in leadership and management. The trainings are organized in partnership with The Leadership Group USA represented by Mr. Jim Bagnola, Senior Partner. www.hpdi.ro

Catherine Calarcco

Innovation and entrepreneurship are hallmarks of Catherine's ability to develop new products and services, generating top market position for several new scientific products. She has launched numerous innovative programs – including Onezone, New Zealand's first digital marketplace for the science industry. As Executive Director/CEO, Catherine through the HiGrowth Project, was instrumental in both assisting companies to achieve the 100 x 100 goal and in realizing New Zealand's potential as a world leader in Information, Communication and Technology.

In NZ, she has co-Chaired the E-Commerce Action Team, was a member of the ICT Taskforce and is in demand as both a Business Excellence Awards judge and conference speaker. A recognised lecturer she has also presented papers at APEC Workshops, conferences and universities around the world. In her CEO role with Calarco Enterprises, she has worked as a consultant within the technology sector assisting companies' strategic development and specific regions' growth programs (Middle East, Europe and USA regions).

As Senior Lecturer at MIT Sloan School of Management, she lectures and coaches executives in Entrepreneurship as Public Policy and High Tech Sales Strategies.

Clemens Foerst

Clemens is working as a postdoctoral associate in the Departments of Materials Science and Engineering as well as Nuclear Science and Engineering at MIT since December 2004. His research field is computational materials science where he is developing and applying codes to predict the behavior of materials at the atomic scale. His research has resulted in a patent application, publications in journals like Nature and Physical Review Letters and invitations to give presentations at several conferences and workshops

David Lucchino

David is currently working for Polaris Venture Partners, a $2.2 billion dollar fund handeling special projects for the two managing genral partners. He previously co-founded LaunchCyte, a seed stage biotech invetsment fund based in New York and Pennsylvania.

Anne Johnson

Anne is a second year MBA candidate at MIT Sloan. She has five years of experience working with technology in the financial services industry. This past summer she developed a product and go-to-market strategy for telephony web services at IBM.

Erico Santos

Eric has five years of experience working with information technology in several sectors including healthcare and pharma. He has actively researched data mining tools and techniques and is now pursuing an MBA from IESE and MIT.

Samantha Sutton

Samantha is an early innovator in the field of Synthetic Biology. She is currently working on a Ph.D. in Biological Engineering at the Massachusetts Institute of Technology with an emphasis on Protein Design, and has past experience in high tech firms such as Hewlett-Packard, and government laboratories such as Argonne National Laboratory and Oak Ridge National Laboratory. As the head of the organizing committee for Synthetic Biology 1.0: The First International Meeting on Synthetic Biology, Samantha brought together academic researchers and industry specialists to lay the foundations for the nascent field of Synthetic Biology.